



# Michigan Municipal Electric Association

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## Local Control Vital to Success of Municipal Electric Utilities Electric Deregulation

Baraga

Bay City

Charlevoix

Chelsea

Clinton

Coldwater

Croswell

Crystal Falls

Daggett

Dowagiac

Eaton Rapids

Escanaba

Gladstone

Grand Haven

Harbor Springs

Hart

Hillsdale

Holland

L'Anse

Lansing

Lowell

Marquette

Marshall

Negaunee

Newberry

Niles

Norway

Paw Paw

Petoskey

Portland

St. Louis

Sebewaing

South Haven

Stephenson

Sturgis

Traverse City

Union City

Wakefield

Wyandotte

Zeeland

The Michigan Municipal Electric Association (MMEA) is Michigan's trade group for municipally owned electric utilities. The 41 MMEA member communities own and operate their own electric utilities and provide approximately 8 percent of Michigan's total electric retail sales.

Cities or villages with municipal electric systems provide electric service to their residents, just as communities commonly provide water and sewer service. As units of local government, municipal electric systems are non-profit, and regulated directly by the communities they serve through open meetings and elected and/or appointed officials. As such, every citizen is an owner of the utility - having the opportunity to have a direct say in decisions that affect rates, service, and policy.

The benefits produced by public power stay in the local community – whether in the form of lower rates, increased electric reliability, or other financial and non-financial contributions. In 2008, the Michigan legislature recognized the longstanding history and success that local control plays in allowing customers of municipally owned utilities to have input into the decision making process. Accordingly, in crafting Public Act 286 the legislature allowed the governing bodies of municipal utilities to decide whether to allow retail open access (ROA) for their utility. MMEA supports this provision, and believes that it is important to keep the decision making process at the local level. To date, no MMEA member has found it beneficial to adopt ROA for their customers. MMEA continues to believe that the local governing body is the appropriate venue to make such decisions.

Municipal utilities take a long-term planning approach to ensure generation capacity or power supply is available for future reliability at a reasonable price. In fact, MMEA members have a legal obligation-to-serve all customers within their service territory that request service. This legal obligation-to-serve also applies to utilities such as Consumers Energy and DTE Electric, which are regulated by the Michigan Public Service Commission.

The benefits of local control and a long-term approach to meeting customer needs can be seen by looking at recent decisions made by MMEA's two largest members. The governing bodies of both the Lansing Board of Water & Light and Holland Board of Public Works were able to retire coal plants at the end of their useful life, by obtaining the needed financing to construct natural gas fueled cogeneration plants. Other MMEA members are able to finance and install equipment to lower emissions at clean coal plants with many years of useful life still remaining. Financing would be very difficult in an environment where customers are allowed to move back and forth between energy suppliers.

While it is true that *every* customer of Lansing and Holland will see a slight increase in rates to pay for this new generation capacity, this electric generation will come from clean, efficient plants that will provide their customers with reliable electricity for the next 30-plus years based on actual costs – not what the deregulated market will bear.

And, if history repeats itself, you can be assured that as older coal plants are retired due to age and new environmental regulations, supply and demand will tighten causing higher volatility in the wholesale electric market. As this happens, policymakers will once again see the value of long-term utility planning as the most efficient model to provide reliable, stable, cost-based rates for all of Michigan's electric customers.